



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1751 (1924)

April 27, 1988

SUBJECT: Development of Realistic Long Range Farm Budgets

TO: State Directors

ATTENTION: Farmer Program Chiefs

PURPOSE/INTENDED OUTCOME

This Administrative Notice (AN) is issued to provide guidance on the development of realistic long range agricultural commodity prices and input costs. This information will be used for determination of the feasibility of farm budgets following loan deferral, and when conservation practices are required to bring the farm in compliance with the requirements in Exhibit M of FmHA Instruction 1940-G. The intended outcome is to provide a sound basis for long term projections and assure consistency in the consideration of requests for assistance which require long range farm budgets.

COMPARISON WITH PREVIOUS AN

This AN updates and replaces AN 1524 (1951) dated January 5, 1987, and provides the information referred to in AN 1689 (1940) dated December 10, 1987. It provides necessary information for development of farm budgets for the 1989-95 crop years.

IMPLEMENTATION RESPONSIBILITIES

Realistic financial projections are essential to assure that the borrower will be able to resume scheduled payments after the deferral period and/or begin implementation of a conservation plan to highly erodible land by January 1, 1990 and have a feasible plan when the conservation plan is fully implemented. Projected levels of production and expense must be supported by the borrower's history. Projected income and expense should be based on the borrower's records. If the borrower does not have income and expense records, the County Supervisor will use ASCS records, extension service data, county averages, or reliable sources of data as the basis for income and expense projections. Borrowers who intend to participate in government commodity programs should have deficiency payments and marketing loans included in their budgets.

EXPIRATION DATE: December 31, 1988

FILING INSTRUCTION:
Preceding FmHA
Instruction 1924-B



Farmers Home Administration is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

CASH COMMODITY PRICES

Projected change from 1986

Commodity	1989	1990	1991	1992	1993	1994	1995
corn	26.7%	30.0%	36.7%	40.0%	43.3%	46.7%	50.0%
soybeans	30.8%	30.8%	28.7%	25.5%	22.4%	22.4%	23.4%
wheat	21.9%	26.0%	30.2%	32.2%	34.3%	36.4%	38.4%
barley	12.5%	9.4%	12.5%	15.6%	15.6%	18.7%	21.9%
oats	7.4%	7.4%	7.4%	7.4%	11.6%	15.7%	15.7%
milo	27.7%	31.4%	42.3%	46.0%	49.6%	53.3%	56.9%
cotton	34.6%	36.5%	38.5%	40.4%	42.3%	44.2%	44.2%
rice	73.3%	44.0%	44.0%	44.0%	44.0%	44.0%	44.0%
fruit	20.0%	25.0%	30.0%	35.0%	41.0%	46.0%	52.0%
vegetables	17.0%	21.0%	26.0%	31.0%	35.0%	40.0%	46.0%
hay (all)	0.7%	2.5%	6.3%	8.2%	10.0%	11.8%	13.6%
tobacco	5.8%	6.4%	7.1%	7.7%	8.3%	9.0%	9.0%
milk	-7.3%	-6.5%	-7.3%	-11.3%	-15.3%	-16.1%	-18.5%
cows	29.0%	27.7%	27.3%	25.8%	18.6%	16.2%	25.1%
steers	29.0%	27.7%	27.3%	25.8%	18.6%	16.2%	25.1%
calves	35.7%	34.3%	33.8%	32.4%	24.7%	22.2%	31.5%
market hogs	-18.2%	-12.0%	2.7%	2.7%	-10.4%	-12.4%	4.5%
sows	-18.2%	-12.0%	2.7%	2.7%	-10.4%	-12.4%	4.5%
lambs	4.9%	4.9%	9.4%	6.4%	-2.5%	6.8%	8.4%
broilers	-21.3%	-15.3%	-12.1%	-15.3%	-16.7%	-7.5%	-1.4%
turkeys	4.5%	7.0%	9.3%	7.0%	9.0%	13.8%	16.3%
eggs	-1.3%	-2.8%	4.6%	9.0%	3.6%	12.6%	18.5%
peanuts (all)	-4.8%	-6.2%	-3.8%	-1.0%	1.7%	3.8%	6.2%
sugar beets	3.8%	4.9%	5.7%	6.8%	7.6%	8.7%	9.5%
non-farm income	21.4%	25.2%	27.0%	29.6%	32.1%	35.8%	39.6%

PRODUCTION AND LIVING EXPENSES

fertilizer	20.2%	24.2%	27.4%	32.3%	36.3%	41.1%	46.0%
chemicals	6.3%	10.2%	13.4%	17.3%	21.3%	25.2%	29.1%
energy	17.9%	24.7%	30.9%	37.0%	44.4%	51.9%	59.3%
(fuel, electricity, oil, etc)							
seeds	10.1%	14.2%	16.9%	21.6%	24.3%	29.7%	34.5%
farm machinery	12.5%	15.2%	18.5%	22.8%	26.1%	30.4%	34.8%
family living	21.4%	25.2%	27.0%	29.6%	32.1%	35.8%	39.6%
other expenses	13.1%	16.6%	18.6%	22.8%	24.8%	29.0%	33.8%

Each State Director must establish the average 1986 price received for each agricultural commodity by county, region or district.

In most cases, this data is available from State Departments of Agriculture, State Offices of the USDA Statistical Reporting Service, or Land Grant Universities. If local data is not available, the prices that most nearly reflect local area prices must be used. Specialty enterprises prices may only be available on a statewide basis.

Borrowers with adequate records to compute a weighted average price received for commodities sold in 1986 will have their 1986 actuals used in the calculations explained below. Examples of this would be milk sales, egg sales, regular (i.e. weekly, monthly) marketings of livestock or other commodities. Otherwise, the average price as determined by the State Director will be used in the calculations.

Exhibit A to this AN provides a table of USDA projections for the percentage change of prices by commodity. In many cases, projected change factors are not available for unique locally grown products, such as crawfish, guava or rabbits. Local buyers, processors, the Extension Service, or similar sources should be contacted to obtain the best estimates available for such products.

The percentage change indicated between 1986 and the planning year must be applied to the established 1986 commodity price to determine the expected planning year price. The increase in cost factors must be applied to 1986 actual costs.

The following is an example of using price factors:

Corn-

local 1986 average cash price \$1.50/bu. x 43.3 percent increase for 1993 = \$.65/bu + \$1.50 1986 price = \$2.15 projected 1993 price



VANCE L. CLARK
Administrator

Attachment

Sent via electronic mail on April 18, 1988 at 8:25 am by ASD(IMPS). The State Director should advise other personnel as appropriate.

1751(1924)

WORKSHEET FOR ACCEPTING FARMER PROGRAM INVENTORY PROPERTY
PRIOR LIENHOLDER ACTIONS - VOLUNTARY CONVEYANCE

The following estimate should cover the full time it is estimated that FmHA would have the property in inventory for

(present owner/borrower)

1. MARKET VALUE OF PROPERTY
(Part 7, Form FmHA 422-1)

\$ _____

ESTIMATED HOLDING PERIOD IN YEARS _____

2. INCOME

a. Annual Rent _____ x Holding Period _____ = _____

b. Annual Royalties _____ x Holding Period _____ = _____

c. Other Annual Income _____ x Holding Period _____ = _____

d. Annual % Land Appreciation (if applicable) _____ x Holding Period _____ = _____

e. Other (Describe) _____ = _____

TOTAL ADDITIONS \$ _____

3. EXPENSES

a) Total Prior Lienholder Indebtedness (P and I) = _____

b) Other Acquisition Costs (taxes presently owed, closing costs, junior liens, etc.) List:

_____ = _____

c) Annual Taxes & Assessment _____ x Holding Period _____ = _____

d) Annual Building Depreciation _____ x Holding Period _____ = _____

- e) Annual Management Costs _____ x Holding Period _____ = _____
- f) Total Essential Repairs to Secure & Resell = _____
- g) Annual % Decrease In Land Value _____ x Holding Period _____ = _____
(if applicable)
- h) Total Anticipated Resale Expenses (Commissions, Advertising, etc.) = _____
- i) Total Interest Cost
- MKT Value Regular* Holding
\$ _____ x OL Rate _____ x Period _____ = _____
- j) Value loss due to deed restrictions (Conservation, Dairy, wetlands and floodplains, etc.) = _____
- k) Hazardous Waste Clean-up Costs = _____
- TOTAL DEDUCTIONS (items a through k) \$ _____

4. RECOVERY VALUE END OF HOLDING PERIOD

$$1. \frac{\text{Market Value}}{\text{Market Value}} + 3. \frac{\text{Total Additions}}{\text{Total Additions}} - 4. \frac{\text{Total Deductions}}{\text{Total Deductions}} = \$ \frac{\text{Recovery Value}}{\text{Recovery Value}}$$

County Supervisor

Date

* The regular operating loan rate more nearly reflects the Government's costs of money.